



LIONGUARD OPPORTUNITIES FUND LP QUARTERLY REPORT - DECEMBER 2014

Dear friends and investors,

As at December 31, 2014 LionGuard Opportunities Fund LP (“Fund”) has completed its first quarter of investment operations (“quarter”). For the quarter, the Fund had a positive net after fees return of 3.99% (based on Class S units). This compares favorably to the S&P/TSX Total Return Index (“Index”), which was down by 1.47% during the same time frame. Note that Index returns are provided for illustration purposes and it is best to judge Fund’s performance on an absolute basis and over a lengthy period of time.

This quarter was characterized by outsized market volatility, caused by a sell-off in various commodity prices and a resulting pressure on resources-linked equities. During this quarter alone, for example, Crude Oil West Texas Intermediate (WTI) rolling front month futures contracts were down in excess of 40%.

Consistent with our risk management discipline, we stirred away from having much direct commodities exposure, which partially shielded us from troubled market sectors. We are of the opinion that most macro variables, including commodities prices, are inherently unpredictable and thus cannot be accurately forecasted. As such, we prefer to stay away from making directional calls on macro variables and instead to allocate our time and intellectual resources on research of individual companies’ operations. In such a context, we expect performance of the Fund, especially over longer time frame to be largely driven by individual securities selection.

During the quarter, some of our biggest gains came from positions in Alaris Royalty, Savaria Corporation and Badger Daylighting. On the flip side, our detractors included AutoCanada and Chesswood. Although positive and negative contributions during such a short time frame have little to do with how we feel about a given investment, some comments on these companies’ operations should provide greater clarity on how we operate.

Alaris Royalty (“Alaris”) is a high quality alternative financing company, which provides capital to stable and predictable businesses. Alaris is run by a bright management team focused on long-term value creation for equity holders. It is one of the few companies for which we view share issuances announcements in a positive light, as they almost always come in tandem with net new capital arrangement(s), which have been value-enhancing per share relative to the impact of dilution. We expect such dynamic to continue for the foreseeable future and as long as current management team, namely Mr. Steven King (CEO) and Mr. Darren Driscoll (CFO), remain in place. We also expect Alaris to continue providing an increasing amount of capital, which should lead to the growth of its already healthy dividend.

Savaria Corporation (“Savaria”) is a Laval-based company with operations across North America. Savaria is in the business of assisting elderly people with their mobility needs. In our opinion, Savaria is well positioned to grow its topline, increase its margins and grow its returns on invested capital. It is run

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by highly capable and dynamic CEO, Mr. Marcel Bourassa, who is a very large shareholder of the business. At this time Savaria remains largely undiscovered by large institutional investors, a dynamic we expect to change as the company continues delivering on its business plan.

Badger Daylighting (“Badger”) is North America’s leader in hydrovac excavation services, the demand for which should continue to rise in the foreseeable future. Badger generates high return on equity and is run by very capable and focused management team. During the quarter, Badger sold off in sympathy with sell-off in energy-linked equities, which provided us with an opportunity to establish position in the company at attractive prices.

AutoCanada Inc (“AutoCanada”), led by an excellent management team, is the country’s leading auto-dealer. The company’s share price has recently been under pressure mainly due to excessive, in our opinion, concerns regarding its exposure to the Alberta’s economy and speculation on lower opportunities for accretive acquisitions. There is also a misunderstanding in the marketplace around recent changes in senior management roles within the company. Despite negative contribution during the quarter, we largely welcomed the sell-off in AutoCanada’s shares and currently assess probabilities of permanent loss of capital, from our average purchase price, as minimal.

Chesswood Group (“Chesswood”) mainly operates in a small ticket leasing business in U.S. This business line recently experienced increasing competitive pressures. Chesswood is led by savvy and experienced CEO, Mr. Barry Shafran, who opted to give up market share to an irrational competitor, rather than to find his company in a price war situation. In an environment of easier access to capital and now several years of good credit experience, we are not surprised to see the emergence of a new competitive situation. Having said that, we underestimated the willingness of a competitor to grow this line of business at practically any cost. Chesswood’s management is focused on growing its other lines of business. Also, in December 2014, they have entered into a new three year credit facility, a major positive development for the company. We believe that current credit experience remains solid and that company’s currently high dividend yield is sustainable.

Altogether, we believe that the current market environment is favorable to our long-term operations, as it provides for opportunities to acquire high quality businesses at attractive prices.

On the operations front, we are glad that we were able to establish LionGuard Capital Management Inc. in record time and to launch the Fund as planned on October 1st, 2014. Our numerous industry supporters, including service providers, proved instrumental in this process and a lot of credit goes to them. We also remain indebted to our numerous loyal supporters and investors, who place their trust in our investment acumen and are excited to see us grow. As a reminder, we are personally largely invested in the Fund, which is one of the founding principles of LionGuard.

May you have any questions, feel free to contact us at any time.

Yours sincerely,

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LionGuard Capital Management Inc.

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